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**DE GREY**  
MINING LTD

**ABN 65 094 206 292**

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2019**

**This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by De Grey Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.**

**DE GREY MINING LIMITED**

**31 DECEMBER 2019**

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Your directors submit their report on the consolidated entity consisting of De Grey Mining Limited and the entities (“De Grey” or the “Group”) it controlled at the end of, or during, the half-year ended 31 December 2019.

## DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Simon Lill  
Andrew Beckwith  
Peter Hood AO  
Eduard Eshuys (appointed 23 July 2019)  
Jeffrey (Bruce) Parncutt AO (appointed 23 July 2019)  
Steven Morris (resigned 22 July 2019)  
Brett Lambert (resigned 22 July 2019)

## RESULTS

The consolidated loss for the half year after tax was **\$1,892,875** (2018: \$1,561,823).

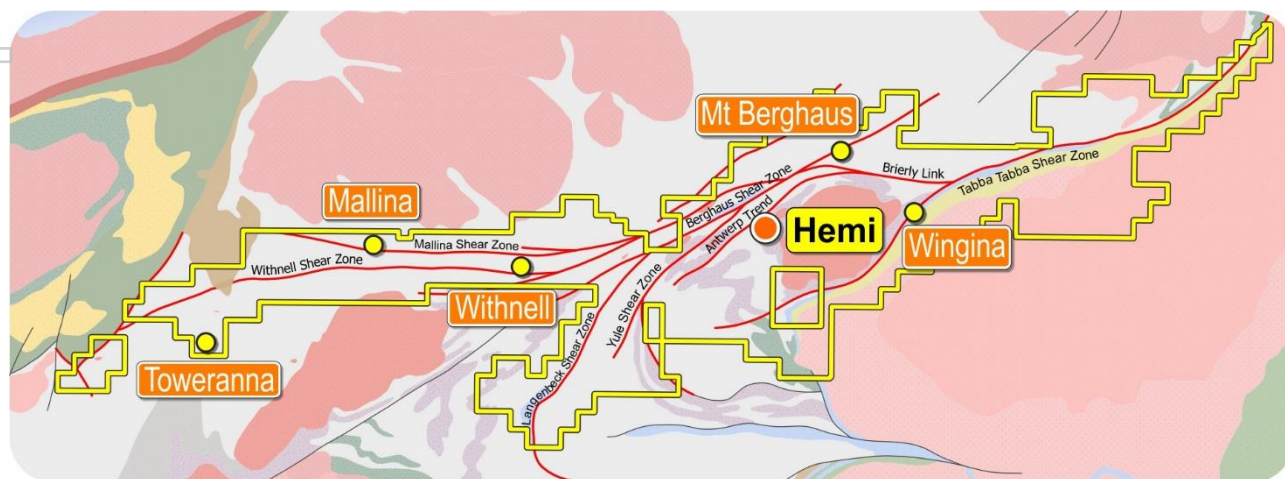
## REVIEW OF OPERATIONS

### *Mallina Gold Project – 100% owned*

The Mallina Gold Project (“MGP”) is located within 80km to the south of Port Hedland. The Project comprises approximately 1,500 km<sup>2</sup> covering the majority of the prospective Archaean aged Mallina Greenstone Belt (Figure 1). The gold mineralisation hosted within the Mallina Greenstone Belt is similar in age, geological setting and styles of shear zone and intrusion hosted gold deposits as seen in the Eastern Goldfields of Western Australia.

The Mallina Basin has the potential to host many large structurally controlled gold deposits. Exploration to date is considered relatively immature with only a short history of dedicated modern exploration undertaken when compared to other Archean aged greenstone belts such as the Yilgarn. De Grey holds the dominant land position along the most important structural corridor in the Mallina Basin, and now owns the largest gold resources in the Pilbara.

**Figure 1: Mallina Gold Project showing main gold deposits and the new Hemi Discovery**



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*Exploration Activities for the Half-year*

In July 2019, the Company reported an increased gold resource at the MGP. The resource upgrade resulted in a 21% increase in contained gold ounces, an 11% increase in average gold to 1.8 g/t and a 35% increase in M&I resources to 999,100oz. A summary of the Total Mineral Resource as at the date of this report and encompassing all drilling to 30 June 2019 is as follows (Refer to Tables 1 and 2):

<b>Total Mineral Resource</b>	<b>29.65Mt @ 1.8g/t Au (1,679,700oz)</b>
M & I (62%)	16.97Mt @ 1.8g/t Au (999,100oz)
Inferred (38%)	12.68Mt @ 1.7g/t Au (680,700 oz)
Oxide (34%)	11.83Mt @ 1.5g/t Au (570,100oz)
Fresh (66%)	17.81Mt @ 1.9g/t Au (1,109,700oz)
➤	21% increase in contained gold ounces
➤	11% increase in average gold grade to 1.8g/t

**Table 1: Total Gold Mineral resource by Mining Centre**

Area	Type	Measured			Indicated			Inferred			Total		
		Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz
Withnell Mining Centre	Oxide	0.92	1.9	55,400	3.05	1.5	151,900	1.12	1.3	48,200	5.09	1.6	255,500
	Fresh	0.62	1.7	33,500	6.77	2.1	463,100	5.30	2.3	389,300	12.69	2.2	885,800
	<b>Total</b>	<b>1.54</b>	<b>1.8</b>	<b>88,900</b>	<b>9.82</b>	<b>1.9</b>	<b>615,000</b>	<b>6.43</b>	<b>2.1</b>	<b>437,500</b>	<b>17.79</b>	<b>2.0</b>	<b>1,141,400</b>
Wingina Mining Centre	Oxide	2.68	1.8	152,100	1.84	1.5	87,600	2.21	1.1	74,900	6.74	1.5	314,500
	Fresh	0.40	1.6	20,500	0.68	1.6	34,900	4.04	1.3	168,400	5.12	1.4	223,800
	<b>Total</b>	<b>3.08</b>	<b>1.7</b>	<b>172,700</b>	<b>2.52</b>	<b>1.5</b>	<b>122,500</b>	<b>6.25</b>	<b>1.2</b>	<b>243,200</b>	<b>11.86</b>	<b>1.4</b>	<b>538,400</b>
TOTAL Pilbara Gold Project	Oxide	3.60	1.8	207,600	4.90	1.5	239,400	3.34	1.1	123,100	11.83	1.5	570,100
	Fresh	1.02	1.6	54,000	7.45	2.1	498,000	9.34	1.9	557,600	17.81	1.9	1,109,700
	<b>Total</b>	<b>4.62</b>	<b>1.8</b>	<b>261,600</b>	<b>12.35</b>	<b>1.9</b>	<b>737,500</b>	<b>12.68</b>	<b>1.7</b>	<b>680,700</b>	<b>29.65</b>	<b>1.8</b>	<b>1,679,700</b>

All gold deposits are reported at a 0.5g/t Au cut-off grade except Wingina below -55mRL where a 1.0g/t Au cut-off was applied and Withnell below Pit shell 33, where a 2.0g/t Au cut-off was applied. The Leach Pad resource is reported at zero cut-off grade.

The Company had up to five rigs in operation at any one time during the half-year. The drilling mix covered diamond, reverse circulation, aircore drilling and percussion rotary air blast drilling, with the total metres drilled of ~81,000 metres (consisting of DD ~14,000m, RC ~19,000m, AC, ~47,000m and RAB ~1,000m).

The RC and diamond drilling continued to step-out from the existing resources, seeking to add resources to the existing inventory. A resource upgrade related to this drilling was in progress as at the date of this report, and expected to be finalised in the subsequent March 2020 quarter.

The Company also embarked on a substantial regional exploration program, drilling some 47,000 m of aircore at 640 x 160 spacing. Several new and significant greenfield discoveries were discovered under shallow sand cover. Most specifically were the discovery of the Hemi and Antwerp prospects, both of which are located along the Scooby to Antwerp Structural Trend (Figure 2), as well as the Buckle prospect, located along the Tabba Tabba Structural Trend.

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The most significant results from this regional drilling program, as reported during December 2019, are as follows:

*Hemi*

- 43m @ 3.7g/t Au from 36m incl 12m @ 9.0g/t Au; and
- 25m @ 2.7g/t Au from 32m incl 8m @ 4.5g/t Au

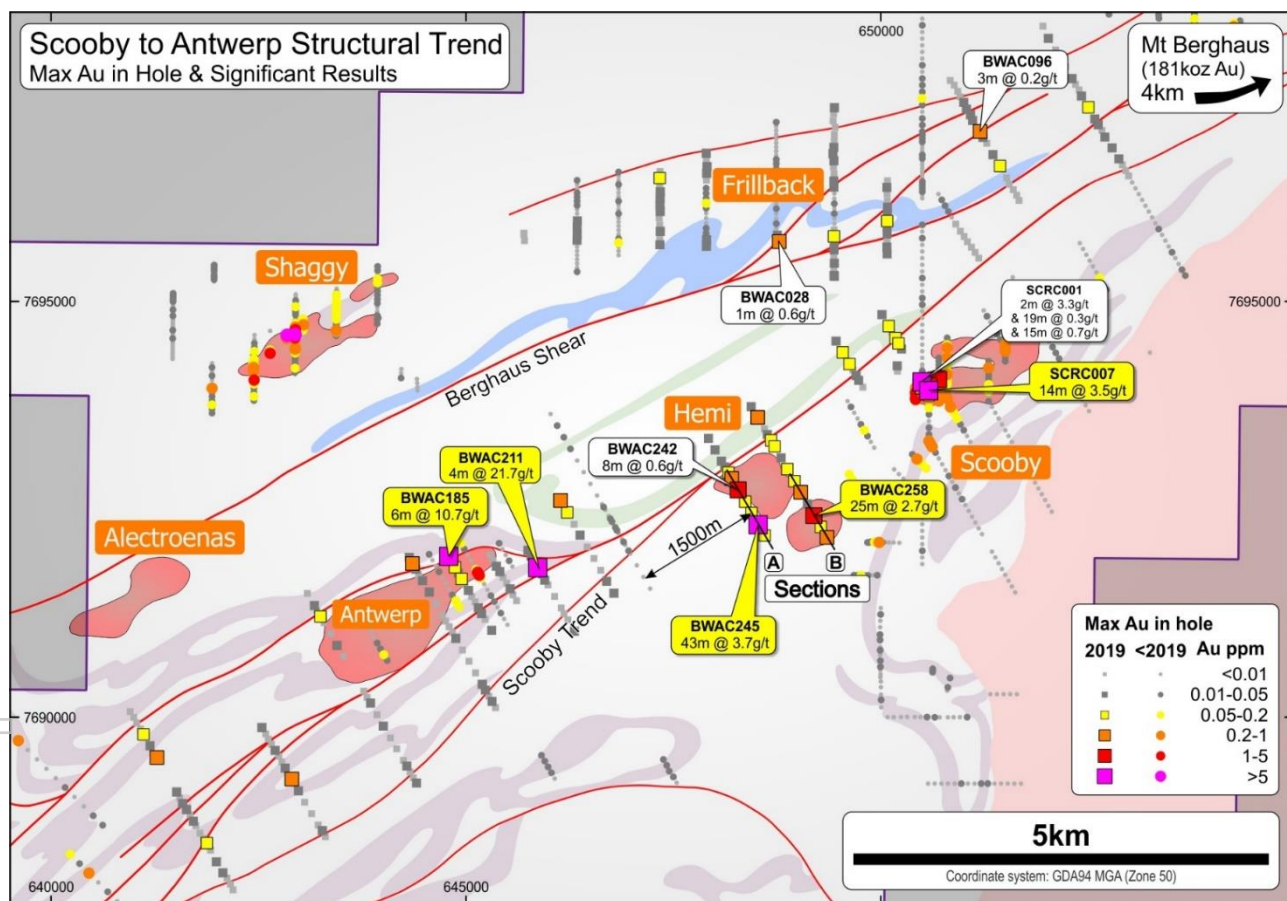
*Antwerp*

- 6m @ 10.7g/t Au from 4m; and
- 4m @ 21.7g/t Au from 32m

*Buckle*

- 20m @ 0.9g/t Au from 70m incl 5m @ 1.5g/t Au; and
- 3m @ 2.2g/t Au from 37m

Figure 2: Scooby to Antwerp Structural Trend – Significant results in new aircore and RC drilling



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Table 2: Withnell & Wingina Mining Centre September 2019 Minerals Resources - Gold

Withnell - Mining Centre

Deposit	Type	Measured			Indicated			Inferred			Total		
		Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz
Withnell Open Pit	Oxide	0.58	1.4	26,400	0.15	1.6	7,700	0.04	1.3	1,700	0.77	1.4	35,800
	Fresh	0.60	1.7	31,900	1.02	2.0	65,900	0.04	2.8	3,800	1.66	1.9	101,600
	Total	1.17	1.5	58,300	1.17	2.0	73,700	0.08	2.0	5,500	2.43	1.8	137,400
Withnell Underground	Oxide				0.03	2.9	2,800	0.00	4.4	200	0.03	3.0	3,000
	Fresh				0.64	4.4	91,200	1.55	4.0	197,700	2.19	4.1	288,900
	Total				0.67	4.4	94,000	1.55	4.0	197,900	2.22	4.1	291,900
Mallina	Oxide				0.45	1.3	19,100	0.55	1.2	21,300	1.00	1.3	40,500
	Fresh				0.81	1.2	31,400	2.01	1.4	88,800	2.82	1.3	120,200
	Total				1.26	1.2	50,600	2.57	1.3	110,100	3.83	1.3	160,700
Toweranna	Oxide				0.62	2.4	47,700	0.25	1.6	13,100	0.86	2.2	60,800
	Fresh				3.49	2.1	236,300	0.98	1.9	59,500	4.46	2.1	295,800
	Total				4.10	2.2	284,000	1.23	1.8	72,600	5.33	2.1	356,600
Camel	Oxide	0.18	2.8	16,400	0.32	2.6	26,800	0.04	1.1	1,500	0.54	2.6	44,700
	Fresh	0.01	2.1	600	0.14	1.4	6,500	0.14	1.8	8,600	0.29	1.7	15,700
	Total	0.19	2.8	17,000	0.46	2.2	33,300	0.19	1.7	10,100	0.84	2.2	60,400
Calvert	Oxide				0.43	1.3	17,900	0.05	0.8	1,400	0.48	1.3	19,300
	Fresh				0.56	1.3	23,800	0.23	1.2	9,300	0.79	1.3	33,100
	Total				0.99	1.3	41,700	0.28	1.2	10,700	1.27	1.3	52,400
Roe	Oxide	0.06	2.7	5,500	0.13	1.5	6,000	0.11	1.6	5,700	0.30	1.8	17,200
	Fresh	0.01	2.5	1,000	0.07	2.3	5,300	0.21	2.2	14,800	0.30	2.2	21,100
	Total	0.08	2.7	6,500	0.20	1.8	11,300	0.33	2.0	20,500	0.60	2.0	38,300
Dromedary	Oxide	0.10	2.2	7,200	0.03	1.6	1,400	0.04	1.6	2,200	0.17	1.9	10,800
	Fresh				0.03	1.6	1,700	0.08	1.8	4,700	0.12	1.7	6,400
	Total	0.10	2.2	7,200	0.06	1.6	3,200	0.12	1.7	6,900	0.29	1.9	17,200
Leach Pad	Oxide				0.86	0.7	19,300				0.86	0.7	19,300
	Fresh												
	Total				0.86	0.7	19,300				0.86	0.7	19,300
Hester	Oxide				0.04	2.1	3,000	0.03	1.3	1,100	0.07	1.8	4,100
	Fresh				0.01	2.1	900	0.05	1.4	2,100	0.06	1.6	3,100
	Total				0.06	2.1	3,900	0.07	1.4	3,300	0.13	1.7	7,200
Withnell Mining Centre	Oxide	0.92	1.9	55,400	3.05	1.5	151,900	1.12	1.3	48,200	5.09	1.6	255,500
	Fresh	0.62	1.7	33,500	6.77	2.1	463,100	5.30	2.3	389,300	12.69	2.2	885,800
	Total	1.54	1.8	88,900	9.82	1.9	615,000	6.43	2.1	437,500	17.79	2.0	1,141,400

Wingina - Mining Centre

	Type	Measured			Indicated			Inferred			Total		
		Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz
Wingina	Oxide	2.68	1.8	152,100	0.65	1.3	27,000	0.34	1.3	14,400	3.67	1.6	193,500
	Fresh	0.40	1.6	20,500	0.34	1.5	16,300	1.08	1.7	57,400	1.82	1.6	94,200
	Total	3.08	1.7	172,700	0.99	1.4	43,300	1.42	1.6	71,700	5.49	1.6	287,700
Mt Berghaus	Oxide				0.68	1.8	38,900	0.99	1.1	35,800	1.67	1.4	74,700
	Fresh				0.27	1.7	14,400	2.40	1.2	91,800	2.67	1.2	106,300
	Total				0.95	1.7	53,300	3.39	1.2	127,600	4.34	1.3	181,000
Amanda	Oxide				0.51	1.3	21,700	0.89	0.9	24,700	1.40	1.0	46,300
	Fresh				0.07	1.8	4,200	0.56	1.1	19,200	0.63	1.2	23,300
	Total				0.58	1.4	25,800	1.44	0.9	43,900	2.03	1.1	69,700
Wingina Mining Centre	Oxide	2.68	1.8	152,100	1.84	1.5	87,600	2.21	1.1	74,900	6.74	1.5	314,500
	Fresh	0.40	1.6	20,500	0.68	1.6	34,900	4.04	1.3	168,400	5.12	1.4	223,800
	Total	3.08	1.7	172,700	2.52	1.5	122,500	6.25	1.2	243,200	11.86	1.4	538,400



# DE GREY MINING LIMITED

31 DECEMBER 2019

## DIRECTORS' REPORT

### CORPORATE

#### *Capital Raisings and Completion of the Indee Gold Acquisition*

The Company completed capital raisings during the period totalling \$30.1M (before costs).

These raisings comprised:

- A placement of 60.3M shares at \$0.05 to raise \$3M. Shares were issued on a cum entitlement basis;
- A rights issue on a 1 for every 1.28 shares basis at an offer price of \$0.05 per share to raise \$19.1M, resulting in the issue of 381M new shares;
- The issue of 59M shares at a deemed price of \$0.0507 per share (consideration \$3M) to Northwest Non Ferrous Australia Mining Pty Ltd (non-cash); and
- The issue of 111,111,111 shares at \$0.045 per share to raise \$5M. \$4.5M was raised in November with the balance of the raising occurring on 6 March 2020 following shareholder approval to issue shares to DGO Gold.

The funds from these capital raisings were used to:

- finalise the acquisition of Indee Gold Pty Ltd, which was successfully completed with the final payment of \$9.7M in cash and 59M shares in De Grey; and
- commence a substantive drilling program across the Company's tenement package both to increase resources and to also undertake a broader regional exploration program.

#### *Changes to the Board Composition*

During July 2019, the Company announced changes to the composition of the De Grey board:

##### **Appointments**

- Mr. Eduard Eshuys, a veteran Australian gold geologist with several decades of exploration and discovery, development and production experience.
- Mr. Bruce Parncutt OA, a seasoned investment markets professional and company director, whose career initially commenced as a Geologist and has since spanned roles in resource investment analysis, stockbroking, investment management and investment banking.

##### **Resignations**

- Mr. Steve Morris (commenced October 2014) and Mr. Brett Lambert (commenced October 2017) made significant contributions to the Company during their board tenure and are thanked for their time and contribution.

##### **Substantial Holders**

The Company had both DGO Gold Limited (~10%) and Northwest Nonferrous Australia Mining Pty Ltd (~6%) became substantial shareholders during the half-year.

##### **Farno McMahon Earn-in**

The Company has earned its initial 30% interest in E45-2502 (a tenement owned by Farno McMahon Pty Ltd, and whom are a 100% subsidiary of Novo Resources Inc), with the transfer of interest to be effective in the March 2020 quarter.

##### **Lag Gravels Agreement**

In June 2019, a Letter of Intent was executed with Novo Resources granting them the right to explore the De Grey tenements for gold bearing lag gravels, and to then enter a Joint Venture at their election, with initial consideration of \$1 Million. During the September 2019 Quarter the final \$300,000 was received on completion of the Indee Gold acquisition.

**DE GREY MINING LIMITED**

**31 DECEMBER 2019**

**DIRECTORS' REPORT**

**SUBSEQUENT EVENTS**

No matter or circumstance has arisen since 31 December 2019, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years, except as follows;

On 6 March 2020, the Company completed the allotment of 11.11 Million shares to DGO Gold Limited (“DGO”) at a price of 4.5 cents to raise \$500,000 (before costs) and representing the 2<sup>nd</sup> tranche of the \$5 Million placement announced on 29 November 2019. Shareholders approved DGO’s participation in the placement at a general meeting held on 21 February 2020.

**AUDITOR’S INDEPENDENCE DECLARATION**

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

This report is made in accordance with a resolution of directors.



**Simon Lill**  
**Executive Chairman**

Perth, 9 March 2020

*The information in this report that relates to the Pilbara Gold Project exploration results (except for the Conglomerate work) is based on, and fairly represents information and supporting documentation prepared by Mr. Philip Tornatora, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr. Tornatora is a consultant to De Grey Mining Limited. Mr. Tornatora has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves”. Mr. Tornatora consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

*The Information in this report that relates to Mineral Resources is based on information compiled by Mr. Paul Payne, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Payne is a full-time employee of Payne Geological Services. Mr. Payne has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr. Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of De Grey Mining Ltd for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of De Grey Mining Ltd and the entities it controlled during the half year period.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER  
Director

Perth

Date: 9 March 2020

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**DE GREY MINING LIMITED**

**31 DECEMBER 2019**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	\$	\$
<b>REVENUE</b>		
Interest received	<b>30,610</b>	11,319
Minerals sales – royalties	<b>5,317</b>	11,625
Change in fair value of equity investments through profit & loss	<b>93,714</b>	23,170
Other revenue	<b>4,508</b>	80,674
<b>EXPENDITURE</b>		
Depreciation expense	<b>(137,017)</b>	(99,760)
Director and employee expenses	<b>(645,336)</b>	(521,879)
Share based payments – directors and employees	<b>(133,242)</b>	(479,305)
Corporate and compliance expenses	<b>(269,882)</b>	(187,715)
Share based payments – corporate advisory	<b>(80,400)</b>	-
Other corporate advisory expenses	<b>(367,752)</b>	(12,793)
Occupancy expenses	<b>(40,401)</b>	(37,231)
Consulting expenses	<b>(37,000)</b>	(25,377)
Investor relations and promotional expenses	<b>(226,422)</b>	(239,248)
Interest expenses – leased office premises	<b>(7,158)</b>	-
Administration expenses	<b>(82,414)</b>	(85,303)
<b>LOSS BEFORE INCOME TAX EXPENSE</b>	<b>(1,892,875)</b>	(1,561,823)
Income tax benefit/(expense)	-	-
<b>LOSS FOR THE HALF-YEAR</b>	<b>(1,892,875)</b>	(1,561,823)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
<i>Items that may be reclassified to profit or loss</i>		
Other comprehensive (loss)/income for the period, net of tax	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED</b>	<b>(1,892,875)</b>	(1,561,823)
Basic and diluted loss per share (cents per share)	<b>(0.23)</b>	(0.42)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

DE GREY MINING LIMITED

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019

	NOTE	31 December 2019 \$	30 June 2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		7,946,587	1,335,398
Trade and other receivables		169,364	735,031
Inventories		14,372	10,993
Other assets		4,797	29,177
<b>TOTAL CURRENT ASSETS</b>		<b>8,135,120</b>	<b>2,110,599</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets	2	208,817	115,103
Deferred Exploration & Evaluation	4	38,679,293	30,675,391
Plant and equipment		1,447,138	729,089
<b>TOTAL NON-CURRENT ASSETS</b>		<b>40,335,248</b>	<b>31,519,583</b>
<b>TOTAL ASSETS</b>		<b>48,470,368</b>	<b>33,630,182</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,767,146	1,287,046
Employee benefit obligations		31,186	29,429
Operating lease liabilities – office premises		89,895	-
Contract liabilities		-	12,700,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,888,227</b>	<b>14,016,475</b>
<b>NON-CURRENT LIABILITIES</b>			
Operating lease liabilities – office premises		362,030	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>362,030</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>2,250,257</b>	<b>14,016,475</b>
<b>NET ASSETS</b>		<b>46,220,111</b>	<b>19,613,707</b>
<b>EQUITY</b>			
Contributed equity	5	99,744,855	70,787,718
Reserves	6	783,336	1,414,570
Accumulated losses		(54,308,080)	(52,588,581)
<b>TOTAL EQUITY</b>		<b>46,220,111</b>	<b>19,613,707</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

DE GREY MINING LIMITED

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Contributed Equity \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total \$
<b>BALANCE AT 1 JULY 2018</b>	<b>59,464,845</b>	<b>711,106</b>	<b>(50,579,451)</b>	<b>9,596,500</b>
<b>Loss for the half-year</b>	-	-	(1,561,823)	(1,561,823)
<b>TOTAL COMPREHENSIVE LOSS</b>	-	-	(1,561,823)	(1,561,823)
Shares issued during the period	10,790,720	-	-	10,790,720
Share issue expenses	(150,938)	-	-	(150,938)
Shares issued during period in lieu of supplier invoices	346,828	-	-	346,828
Share based payments – options	-	202,350	-	202,350
Share based payments – performance rights	-	276,955	-	276,955
Transfer of reserve on exercise/expiry of options	48,280	(48,280)	-	-
<b>BALANCE AT 31 DECEMBER 2018</b>	<b>70,499,735</b>	<b>1,142,131</b>	<b>(52,141,274)</b>	<b>19,500,592</b>
	<b>Contributed Equity \$</b>	<b>Share Based Payments Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total \$</b>
<b>BALANCE AT 1 JULY 2019</b>	<b>70,787,718</b>	<b>1,414,570</b>	<b>(52,588,581)</b>	<b>19,613,707</b>
<b>Loss for the half-year</b>	-	-	(1,892,875)	(1,892,875)
<b>TOTAL COMPREHENSIVE LOSS</b>	-	-	(1,892,875)	(1,892,875)
Shares issued during the period	29,707,101	-	-	29,707,101
Share issue expenses	(1,668,642)	-	-	(1,668,642)
Shares issued during period in lieu of supplier invoices	247,178	-	-	247,178
Share based payments – options	-	80,400	-	80,400
Share based payments – performance rights	-	133,242	-	133,242
Transfer of reserve on exercise/expiry of performance rights	671,500	(844,876)	173,376	-
<b>BALANCE AT 31 DECEMBER 2019</b>	<b>99,744,855</b>	<b>783,336</b>	<b>(54,308,080)</b>	<b>46,220,111</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Half-year	
	2019	2018
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Option fee received -lag gravel rights	330,000	-
Royalties received	6,171	14,692
Payments to suppliers and employees	(2,000,135)	(1,210,210)
Payments for exploration and evaluation	(6,494,437)	(4,213,246)
Research & development grant received	306,950	-
EIS grant received	-	7,320
Interest received	30,847	11,319
<b>Net cash used in operating activities</b>	<b>(7,820,604)</b>	<b>(5,390,125)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of equity investments	-	94,000
Payments for plant & equipment	(361,114)	(276,956)
Payments – for the acquisition of Indee Gold Pty Ltd	(9,750,000)	(700,000)
Payments for acquisition of mineral tenements		(10,000)
<b>Net cash used in investing activities</b>	<b>(10,111,114)</b>	<b>(892,956)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	26,707,101	10,790,720
Payments of share issue transaction costs	(1,796,442)	(150,938)
Transaction costs related to loans & borrowings	(367,752)	-
<b>Net cash provided by financing activities</b>	<b>24,542,907</b>	<b>10,639,782</b>
Net increase/(decrease) in cash and cash equivalents	6,611,189	4,356,701
Cash and cash equivalents at the beginning of the half-year	1,335,398	1,147,538
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>7,946,587</b>	<b>5,504,239</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

**Statement of Compliance**

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by De Grey Mining Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

**Basis of preparation**

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

**Significant accounting judgements and key estimates**

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

**Accounting policies and methods of computation**

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

**Standards and Interpretations applicable to 31 December 2019**

In the half-year ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2019. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**Standards and Interpretations in issue not yet adopted**

The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2019.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies, except as follows:

**New accounting standards – AASB 16 - Leases**

The Group has applied the provisions of AASB 16 Leases from 1 July 2019 in accordance with the standard and the Group's accounting policies. The Group has not restated comparatives for the 2018 comparative reporting period as permitted under the transitional provisions of the standard by using the modified retrospective method of transition. The changes arising from the new standard were recognised on and from 1 July 2019.

The new standard principally removes the distinction between finance and operating leases with all leases brought onto the balance sheet. Previously payments made for operating leases were expensed to the profit or loss whereas now those payments are allocated between repayment of lease liability borrowings and finance costs.

The accounting policy reads as follows:

**Accounting policy – Leases**

The Group recognises all right of use assets and liabilities, except for leases that are short-term (12 months or less) and low value leases at the lease commencement date. The lease liability is measured at the present value of the future lease payments and includes lease extension options when the Group is reasonably certain that it will exercise the option.

The present value of future lease payments is determined by discounting future lease payments using the interest rate implicit in the lease or, if that rate cannot be determined then the Group's borrowing rate, which is generally the case.

The right of use asset, at initial recognition, reflects the lease liability and is depreciated over the term of the lease. The present value of the lease liability is increased by the interest cost and decreased by the lease payment each period over the life of the lease.

The Group includes right of use leased assets separately in its Plant and Equipment asset class disclosures.

All new contracts of the Group are assessed on an ongoing basis to determine if a right of use asset exists and if they require recognition under the requirements of the lease standard.

The impact on the Group at inception on 1 July 2019 was the recognition of \$495,129 right of use assets and a \$495,129 lease liability on the balance sheet, with \$87,060 of that lease liability recognised as a current liability and \$408,069 as a non-current liability as outlined in the table that follows:

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**31 DECEMBER 2019**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

	<b>1 July 2019</b>
	\$
<b><i>Finance and operating lease liabilities</i></b>	
Recognised at 30 June 2019	Nil
Recognised on adoption of AASB16	495,129
	<b>495,129</b>
<b><i>Lease liability recognised at 1 July 2019</i></b>	
Current	87,060
Non-current	408,069
	<b>495,129</b>
<b><i>Right of use asset</i></b>	
Recognised at 30 June 2019	Nil
Recognised on adoption of AASB16 as Plant and Equipment	495,129
	<b>495,129</b>

During the half-year period lease payments of \$50,362 reduced the lease liability by \$43,204 and \$7,158 was recorded as a lease interest expense.

**2. FINANCIAL ASSETS**

	<b>31 December</b>	<b>30 June</b>
	2019	2019
	\$	\$
<b>Non-current</b>		
<b><i>Financial assets at fair value through profit or loss</i></b>		
TSXV listed equity securities	208,817	115,103
	<b>208,817</b>	<b>115,103</b>

- (i) *Classification of financial assets at fair value through profit or loss*  
The Group classifies its equity based financial assets at fair value through profit or loss upon adoption of AASB 9. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. Changes in the fair value of financial assets are recognised in other gains/(losses) in the statement of profit or loss as applicable.
- (ii) *Amounts recognised in profit or loss*  
Changes in the fair values of financial assets at fair value have been recorded through profit or loss, representing a net gain of **\$93,714** for the period.

**3. FAIR VALUE MEASUREMENT**

***Fair value measurement of financial instruments***

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three (3) levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>December 2019</b>				
Listed equity securities	<b>208,817</b>	-	-	<b>208,817</b>
Fair value at 31 December 2019	<b>208,817</b>	-	-	<b>208,817</b>

**4. DEFERRED EXPLORATION & EVALUATION**

	<b>December 2019</b>	<b>June 2019</b>
	\$	\$
<b>Non-current</b>		
Deferred exploration & evaluation – at cost	<b>38,679,293</b>	30,675,391
<i>Movement for the period</i>		
Beginning of financial period	<b>30,675,391</b>	
Additions – all areas of interest (i)	8,003,902	
End of financial period (i)	<b>38,679,293</b>	

The Group has capitalised all costs associated with The Mallina Gold Project (*formerly referred to as the Pilbara Gold Project*).

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**5. CONTRIBUTED EQUITY**

**(a) Share capital**

	<b>December 2019</b>	<b>June 2019</b>
	\$	\$
1,038,550,712 ordinary fully paid shares (June 2019: 427,590,370)	<b>99,744,855</b>	70,787,718

DE GREY MINING LIMITED

31 DECEMBER 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Movement in ordinary share capital for the current half-year

	Issue Price	Number of shares	\$
Beginning of the financial period		427,590,370	70,787,718
Placement share issue	\$0.05	60,343,600	3,017,180
Renouncement entitlement offer share issue	\$0.05	381,198,414	19,059,921
Shares issued part consideration – Indee Gold Pty Ltd acquisition (non-cash)	\$0.50791	59,065,579	3,000,000
Shares issued on exercise of performance rights (non-cash)	-	3,950,000	671,500
Shares issued in lieu of supplier invoices (non-cash)	\$0.065	3,802,748	247,178
Placement share issue	\$0.05	2,600,000	130,000
Placement share issue	\$0.045	100,000,001	4,500,000
Transaction costs for the period			(1,668,642)
End of the financial period		1,038,550,712	99,744,855

(c) Movements in (unlisted) options on issue for the half-year

Expiry Date	Exercise Price	Opening 1 July 2019 No.	Issued No.	Expired No.	Closing 31 Dec 2019 No.
<i>Unlisted classes</i>					
31 October 2020	\$0.10	14,250,000	-	-	14,250,000
30 November 2019	\$0.20	33,333,333	-	(33,333,333)	-
30 November 2019	\$0.25	12,500,000	-	(12,500,000)	-
30 May 2021	\$0.30	17,250,000	-	-	17,250,000
30 December 2021	\$0.10	-	12,000,000	-	12,000,000
		77,333,333	12,000,000	(45,833,333)	43,500,000

(d) Performance rights on issue

The unlisted Performance Rights on issue to directors and employees of the Group, consist of five (5) tranches each with specific performance hurdles.

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Total
Beginning of the financial period	1,300,000	1,300,000	1,450,000	1,450,000	1,200,000	6,700,000
Performance rights exercised issued for the period	(1,300,000)	-	(1,450,000)	-	(1,200,000)	(3,950,000)
Performance rights expired during the period	-	(1,300,000)	-	-	-	(1,300,000)
End of the financial period	-	-	-	1,450,000	-	1,450,000

**DE GREY MINING LIMITED**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

The Performance Rights shall vest upon satisfaction of the following milestones:

1. Tranche One – the Company declaring greater than 1,500,000 ounce gold resource (JORC 2012) at an overall grade of at least 1.7 g/t and a minimum category of JORC inferred at the Pilbara Gold Project, on or before 30 November 2019;
2. Tranche Two – the Company declaring greater than 2,000,000 ounce gold resource (JORC 2012) at an overall grade of at least 1.7 g/t and a minimum category of JORC inferred at the Pilbara Gold Project, on or before 30 November 2019;
3. Tranche Three – settlement of the Company's 100% acquisition of Indee Gold Pty Ltd;
4. Tranche Four – The Company securing Project Financing for the Pilbara Gold Project at a minimum throughput of 1Mtpa; and
5. Tranche Five – The Company confirming higher grade resources of at least 200,000 ounces and at an overall grade of greater than 5 g/t or before 30 November 2019.

**6. RESERVES**

	<b>December 2019</b>	<b>June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reserves</b>		
Share-based payments reserve	783,336	1,414,570
	<b>783,336</b>	<b>1,414,570</b>
<b>Movements:</b>		
Beginning of the financial period (1 July 2019)	<b>1,414,570</b>	
Transfer to Contributed Equity on exercise of performance rights	(671,500)	
Transfer to Accumulated losses on expiry of performance rights	(173,376)	
Share based payments – options issued in lieu of corporate advisory services (b)	80,400	
Share based payments (performance rights) expense (Directors and PR plan) (c)	133,342	
End of the financial period (31 December 2019)	<b>783,336</b>	

**(b) Share based payments - option expense for the period**

The weighted average fair value of the (share-based payments) options granted for the half-year was **\$0.0067** (2018: \$0.0426). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	<b>2019</b>	<b>2018</b>
Weighted average exercise price (\$)	<b>\$0.10</b>	\$0.30
Weighted average life of the option (days)	<b>730</b>	956
Weighted average underlying share price (cents)	<b>\$0.04</b>	\$0.15
Expected share price volatility	<b>75%</b>	75%
Weighted average risk-free interest rate	<b>0.75%</b>	1.5%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

No assumptions have been made relating to dividends or expected early exercise of the options and there are no other inputs to the model. The life of the options is based on historical exercise patterns, which may not eventuate in the future.

**DE GREY MINING LIMITED**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**(c) Share based payments – performance rights expense for the period**

On 21 December 2017, 6,700,000 unlisted Performance Rights were issued to directors and employees of the Group, with vesting conditions as described in Note 5 (d), and the applicable amortised expense for the half year to 31 December is \$133,242 (as described in the table below).

	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3<sup>1</sup></b>	<b>Tranche 4<sup>1</sup></b>	<b>Tranche 5</b>
Number Issued (No.)	1,300,000	1,300,000	1,450,000	1,450,000	1,200,000
Grant Date	21-Dec-2017	21-Dec-2017	21-Dec-2017	21-Dec-2017	21-Dec-2017
Exercise Price (\$)	N/A	N/A	N/A	N/A	N/A
Expiry/Amortisation Date	30-Nov-2019	30-Nov-2019	22-Aug-2019	20-Nov-2021	30-Nov-2019
Exercised or expired during the period	Exercised	Expired	N/A	Exercised	Exercised
Underlying Share Price on Grant (\$)	\$0.17	\$0.17	\$0.17	\$0.17	\$0.17
Total Fair Value (\$) – Life of Right	\$221,000	\$221,000	\$246,500	\$246,500	\$204,000
Total Fair Value (\$) – Expensed 6 months to 31 Dec 2019	\$47,624	-	\$10,182	\$31,475	\$43,961
					\$133,242

<sup>1</sup>Under the performance rights plan, rights expire the earlier of any date specified on issue or 5 years, in the case of Tranche 3, the date reflects the agreed settlement date as negotiated with the vendors of Indee Gold Pty Ltd.

**7. CHANGE IN GROUP STRUCTURE**

On 16 July 2019, shareholders approved resolutions to proceed with both the Indee Gold Pty Ltd acquisition, as well as approval to issue shares to Northwest Nonferrous Australia Mining Pty Ltd (“NNAM”). On 18 July 2019, the Company executed a variation to the acquisition agreement with NNAM to extend the end date for completion of the Company’s acquisition of Indee Gold from 24 July 2019 to 24 August 2019, so as to provide De Grey with the additional time required to complete a fully-underwritten Entitlement Offer capital raising (Refer Note 5 (b)).

On 22 August 2019, settlement was completed, and the Company became the 100% shareholder of Indee Gold Pty Ltd, with the final payment of \$9.7M in cash and 59,065,579 shares in De Grey (valued at \$3.0M on allotment) as full and final settlement of the outstanding Contract liabilities.



**DE GREY MINING LIMITED**

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**8. SEGMENT INFORMATION**

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

For management purposes, the Group has identified one reportable segment being exploration activities undertaken in the Australasia geographical region. The Australasian segment includes the activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic region.

Segment performance is evaluated based on the operating profit or loss and cash flows and is measured in accordance with the Group's accounting policies.

	Australasia		Consolidated Total	
	2019	2018	2019	2018
	\$	\$	\$	\$
Segment revenue	<u>5,317</u>	79,317	<u>5,317</u>	79,317
Reconciliation of segment revenue to total revenue before tax:				
Interest revenue			30,610	11,319
Gain on sale of AFS investments			93,714	23,170
Other revenue			<u>4,508</u>	<u>12,981</u>
<b>Total revenue</b>			<u><b>134,149</b></u>	<u><b>126,787</b></u>
Segment result	<u>5,317</u>	79,317	<u>5,317</u>	79,317
Reconciliation of segment result to net loss before tax:				
Corporate advisory expenses			(367,752)	(12,793)
Share based payments – performance rights and options			(213,642)	(479,305)
Other corporate and administration			<u>(1,316,798)</u>	<u>(1,149,042)</u>
<b>Net loss before tax</b>			<u><b>(1,892,875)</b></u>	<u><b>(1,561,823)</b></u>

	Australasia		Consolidated Total	
	December 2019	June 2019	December 2019	June 2019
	\$	\$	\$	\$
Segment operating assets	<u>38,943,858</u>	32,160,880	<u>38,943,858</u>	32,160,880
Reconciliation of segment operating assets to total assets:				
Other corporate and administration assets			9,526,510	1,469,302
<b>Total assets</b>			<u><b>48,470,368</b></u>	<u><b>33,630,182</b></u>
Segment operating liabilities	<u>1,011,730</u>	13,491,175	<u>1,011,730</u>	13,491,175
Reconciliation of segment operating liabilities to total liabilities:				
Other corporate and administration liabilities			1,238,527	525,300
<b>Total liabilities</b>			<u><b>2,250,257</b></u>	<u><b>14,016,475</b></u>

**DE GREY MINING LIMITED**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**9. SUBSEQUENT EVENTS**

Since the end of the financial period and to the date of this report, no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the subsequent financial year, except for;

On 6 March 2020, the Company completed the allotment of 11.11 Million shares to DGO Gold Limited (“DGO”) at a price of 4.5 cents to raise \$500,000 (before costs) and representing the 2<sup>nd</sup> tranche of the \$5 Million placement announced on 29 November 2019. Shareholders approved DGO’s participation in the placement at a general meeting held on 21 February 2020.

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**DE GREY MINING LIMITED**

**31 DECEMBER 2019**

**DIRECTORS' DECLARATION**

In the directors' opinion:

1. the financial statements and notes set out on pages 9 to 21 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that De Grey Mining Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



**Simon Lill**  
Executive Chairman

Perth, 9 March 2020

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DE GREY MINING LTD

### Conclusion

We have reviewed the accompanying half year financial report of De Grey Mining Ltd ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' responsibility for the half year financial report

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility for the half year financial report

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half year financial report is not in accordance with the *Corporations Act 2001* including; giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER  
Director

Perth

Date: 9 March 2020

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